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# BUSINESS FAILURES DROP SHARPLY IN FIRST SIX MONTHS OF 1989

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NEW YORK, Aug. 29--Posting the most significant decline in more than 10 years, business failures fell 14.5 percent in the first six months of 1989, according to The Dun & Bradstreet Corporation.

"The steady decline in business failures across the country underscores the overall stability of the U.S. economy and offers further support for the 'soft-landing' scenario," said Joseph W. Duncan, corporate economist and chief statistician of D&B.

Duncan noted that the decrease in business failures is a continuation of the trend begun in 1987, which reflects improvements in the nation's weakest regions, as well as overall stability.

Failures were down substantially in seven of the nine U.S. census regions. Only the South Atlantic states reported a significant increase in business bankruptcies.

The only industry sector to report an increase in the

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first six months of 1989 was the finance, insurance and real-estate sector, where failures rose 11.7 percent to 1,431 from 1,281 in the same period last year.

"The troubled savings and loan industry, as well as stress in the real-estate sector, contributed to the increase in finance, insurance and real-estate failures, particularly in the East North Central, Mountain and Pacific states," said Duncan.

Mining failures were down 25.4 percent to 182 from 244, and agriculture failures fell 23.5 percent to 812 from 1,061. The mining and agriculture industries reported high levels of bankruptcies in the past few years because of the depressed oil industry and the rush of farmers to reorganize after the introduction of Chapter 12 to the bankruptcy code in November 1986.

"Both the mining and agriculture sectors reached turning points prior to 1989, and the downward trend is continuing to accelerate," said Duncan.

Duncan noted that the shakeout following the entrepreneurial boom earlier in this economic expansion has clearly subsided, as services bankruptcies dropped 23.8 percent to 9,571 in the first half of 1989 from 12,562 in the same period last year.

Wholesale-trade failures decreased 23.0 percent to 1,841 from 2,391; manufacturing failures fell 15.5 percent to 1,918 from 2,270; and retail-trade failures dropped 6.8 percent to 5,621 from 6,032. Business failures in the construction industry fell slightly to 3,490 from 3,508.

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Regional trends

During the first half of 1989, failures dropped substantially in the Middle Atlantic states, falling 29.2 percent to 1,923 from 2,717 in the same period last year. In particular, failures in New Jersey and New York plummeted.

"During the first half of 1988, failures rose in New York and New Jersey, due in part to the stock-market crash in late 1987 and the subsequent stress in related industries," noted Duncan.

In New Jersey failures decreased 49.5 percent, to 267 from 529, and in New York they were down 38.5 percent to 891 from 1,448 last year. Pennsylvania reported a slight increase, up 3.4 percent to 765. Significant decreases occurred in every industry sector, with the wholesale-trade, manufacturing and services industries reporting decreases of between 56 and 17 percent.

The largest percentage decrease occurred in the agricultural states of the West North Central region, down 31.3 percent, to 1,582 from 2,304 in the first six months of 1988. Failures decreased in all seven states and in every industry sector. Minnesota reported the sharpest decrease, down 53.5 percent to 140 from 301. Nebraska, North Dakota, Missouri, Kansas and Iowa reported decreases of between 20 and 45 percent.

Failures in South Dakota fell slightly to 80 from 83. Agriculture, retail-trade and services failures dropped sharply, with decreases ranging from 63.0 percent to 18.4 percent.

Failures in the oil states of the West South Central region fell 25.2 percent to 4,328 from 5,788.

"After significant increases in business bankruptcies from 1984 to 1987, due to stress in the oil sector, failures in the West South Central states reached a turning point in 1988 and are now continuing to decline, particularly in Texas," said Duncan.

Failures in Texas fell significantly during the first half of 1989, down 33 percent to 2,797 from 4,174. Arkansas reported a decrease of 9.2 percent, to 158 from 174, and Louisiana showed a decline of 6.6 percent to 763 from 817. Failures in Oklahoma decreased slightly to 610 from 623.

Mining failures in the West South Central states fell 36.7 percent, to 88 from 139, and services failures dropped 39.9 percent, to 1,458 from 2,425.

The Mountain states reported a 16.5 percent decrease in failures, down to 2,458 from 2,945, due in large part to a 34.4 percent decrease in services failures. However, failures in the finance, insurance and real-estate industry increased 22.8 percent to 178 from 145. Failures in Colorado, Idaho, Wyoming, Utah and Nevada fell between 25 and 45 percent, while failures increased 10.3 percent in Arizona and 33.1 percent in New Mexico to 213.

While failures have continued to decrease in many of the weakest regions, bankruptcies increased in the South Atlantic states, one of the areas that led the current expansion.

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Failures in the region rose 10.2 percent to 4,024 from 3,651, largely driven by a sharp rise in failures in Georgia where they were up 50.1 percent to 1,147 from 764.

"The current trend in Georgia is partly attributable to fallout after high levels of entreprenuerial activity in and around Atlanta," noted Duncan.

Failures in Florida were up 12.7 percent to 1,581 from 1,403, and in Virginia failures rose 26 percent to 572 from 454. Failures increased in every industry, with the exception of the manufacturing, the wholesale trade and the transportation and public utilities sectors.

Failures in the East North Central states increased slightly to 4,718 from 4,675, largely driven by gains in Illinois and Michigan, while Wisconsin and Ohio reported decreases. On an industry basis, failures in the region were mixed with retail-trade failures up 15.5 percent and manufacturing, wholesale-trade and services failures showing declines in the 12 to 16 percent range.

Failures in the Pacific states declined 15.4 percent to 5,329 from 6,297. Failures fell in all five states in the region, with California reporting a decrease of 14.9 percent to 4,175 from 4,905. Failures in the services sector were down 31.6 percent, but failures increased 47.8 percent in the finance, insurance and real-estate sector.

In the East South Central states failures decreased 18.7 percent to 1,408 from 1,732. Failures were down in Alabama,

Kentucky and Tennessee, while bankruptcies in Mississippi increased slightly to 286 from 277. Failures fell in every industry, except the finance, insurance and real-estate sector which posted an increase of three to 53. Failures in the New England states fell 21.1 percent to 464. Maine was the only state to report an increase in business failures, with 45 compared to 43 in the same period last year.

The Dun & Bradstreet Corporation is the world's largest marketer of business information and related services, with worldwide revenue of $4.3 billion in 1988.

(See Attached Tabular Data)

THE DUN & BRADSTREET CORPORATION - Economic Analysis Department

Business Failures by States and Regions
First six months 1988 vs. first six months 1989*

| | 1988 | | 1989 | | % Change | |
|---|---|---|---|---|---|---|
| | Firms | Liabilities | Firms | Liabilities | Firms | Liabilities |
| NEW ENGLAND | 588 | 382,905,902 | 464 | 1,094,091,030 | -21.1% | 185.7% |
| Maine | 43 | 5,359,061 | 45 | 10,183,769 | 4.7% | 90.0% |
| New Hampshire | 89 | 9,095,630 | 53 | 14,993,618 | -40.4% | 64.8% |
| Vermont | 25 | 2,558,463 | 19 | 4,262,667 | -24.0% | 66.6% |
| Massachusetts | 308 | 353,320,464 | 259 | 1,039,073,057 | -15.9% | 194.1% |
| Connecticut | 95 | 5,577,761 | 65 | 21,436,410 | -31.6% | 284.3% |
| Rhode Island | 28 | 6,994,523 | 23 | 4,141,509 | -17.9% | -40.8% |
| MIDDLE ATLANTIC | 2,717 | 3,678,461,242 | 1,923 | 1,369,609,989 | -29.2% | -62.8% |
| New York | 1,448 | 975,383,188 | 891 | 800,599,134 | -38.5% | -17.9% |
| New Jersey | 529 | 1,561,003,100 | 267 | 292,078,656 | -49.5% | -81.3% |
| Pennsylvania | 740 | 1,142,074,954 | 765 | 276,932,199 | 3.4% | -75.8% |
| EAST NORTH CENTRAL | 4,675 | 1,350,669,106 | 4,718 | 1,073,211,415 | 0.9% | -20.5% |
| Ohio | 1,019 | 245,935,098 | 905 | 231,752,136 | -11.2% | -5.8% |
| Indiana | 483 | 415,621,024 | 484 | 81,985,167 | 0.2% | -80.3% |
| Illinois | 1,672 | 425,859,488 | 1,875 | 426,860,074 | 12.1% | 0.2% |
| Michigan | 917 | 193,441,553 | 1,061 | 293,924,672 | 15.7% | 51.9% |
| Wisconsin | 584 | 69,811,943 | 393 | 38,689,366 | -32.7% | -44.6% |
| WEST NORTH CENTRAL | 2,304 | 1,002,871,657 | 1,582 | 315,543,611 | -31.3% | -68.5% |
| Minnesota | 301 | 125,880,616 | 140 | 48,308,658 | -53.5% | -61.6% |
| Iowa | 395 | 165,279,579 | 313 | 71,905,880 | -20.8% | -56.5% |
| Missouri | 810 | 329,011,057 | 551 | 64,189,206 | -32.0% | -80.5% |
| North Dakota | 86 | 22,974,113 | 58 | 11,803,414 | -32.6% | -48.6% |
| South Dakota | 83 | 4,250,575 | 80 | 6,798,056 | -3.6% | 59.9% |
| Nebraska | 177 | 98,481,330 | 97 | 10,938,549 | -45.2% | -88.9% |
| Kansas | 452 | 256,994,387 | 343 | 101,599,848 | -24.1% | -60.5% |
| SOUTH ATLANTIC | 3,651 | 1,691,114,205 | 4,024 | 1,192,844,442 | 10.2% | -29.5% |
| Maryland | 257 | 123,131,109 | 122 | 28,988,510 | -52.5% | -76.5% |
| Delaware | 42 | 26,899,854 | 22 | 41,713,123 | -47.6% | 55.1% |
| District of Columbia | 39 | 10,439,835 | 23 | 1,517,607 | -41.0% | -85.5% |
| Virginia | 454 | 94,369,371 | 572 | 140,266,150 | 26.0% | 48.6% |
| West Virginia | 116 | 30,295,284 | 88 | 28,712,298 | -24.1% | -5.2% |
| North Carolina | 370 | 53,629,907 | 371 | 121,814,772 | 0.3% | 127.1% |
| South Carolina | 206 | 9,403,614 | 98 | 5,789,085 | -52.4% | -38.4% |
| Georgia | 764 | 196,253,813 | 1,147 | 270,949,675 | 50.1% | 38.1% |
| Florida | 1,403 | 1,146,691,418 | 1,581 | 553,093,222 | 12.7% | -51.8% |

THE DUN & BRADSTREET CORPORATION - Economic Analysis Department

Business Failures by States and Regions
First six months 1988 vs. first six months 1989*

| | 1988 Firms | 1988 Liabilities | 1989 Firms | 1989 Liabilities | % Change Firms | % Change Liabilities |
|---|---|---|---|---|---|---|
| EAST SOUTH CENTRAL | 1,732 | 526,418,370 | 1,408 | 329,506,563 | -18.7% | -37.4% |
| Kentucky | 390 | 98,498,387 | 332 | 64,731,284 | -14.9% | -34.3% |
| Tennessee | 688 | 309,483,943 | 593 | 179,007,811 | -13.8% | -42.2% |
| Alabama | 377 | 60,497,176 | 197 | 31,675,509 | -47.7% | -47.6% |
| Mississippi | 277 | 57,938,864 | 286 | 54,091,959 | 3.2% | -6.6% |
| WEST SOUTH CENTRAL | 5,788 | 6,600,716,663 | 4,328 | 4,631,356,610 | -25.2% | -29.8% |
| Arkansas | 174 | 40,722,324 | 158 | 44,188,722 | -9.2% | 8.5% |
| Oklahoma | 623 | 803,414,798 | 610 | 316,890,222 | -2.1% | -60.6% |
| Louisiana | 817 | 977,632,862 | 763 | 1,044,088,643 | -6.6% | 6.8% |
| Texas | 4,174 | 4,778,946,679 | 2,797 | 3,226,189,023 | -33.0% | -32.5% |
| MOUNTAIN | 2,945 | 1,375,387,269 | 2,458 | 2,529,087,733 | -16.5% | 83.9% |
| Montana | 121 | 44,837,829 | 97 | 17,980,857 | -19.8% | -59.9% |
| Idaho | 194 | 282,231,867 | 140 | 17,728,057 | -27.8% | -93.7% |
| Wyoming | 115 | 28,045,175 | 68 | 10,665,961 | -40.9% | -62.0% |
| Colorado | 1,163 | 458,652,693 | 857 | 493,019,514 | -26.3% | 7.5% |
| New Mexico | 160 | 22,914,961 | 213 | 52,494,248 | 33.1% | 129.1% |
| Arizona | 710 | 420,798,102 | 783 | 1,894,885,258 | 10.3% | 350.3% |
| Utah | 315 | 63,446,096 | 176 | 397,587 | -44.1% | -99.4% |
| Nevada | 167 | 54,460,546 | 124 | 41,916,251 | -25.7% | -23.0% |
| PACIFIC | 6,297 | 3,038,234,013 | 5,329 | 5,033,585,722 | -15.4% | 65.7% |
| Alaska | 168 | 61,984,534 | 106 | 915,249,177 | -36.9% | 1376.6% |
| Hawaii | 106 | 121,995,169 | 81 | 12,880,785 | -23.6% | -89.4% |
| Washington | 843 | 184,314,701 | 741 | 126,774,941 | -12.1% | -31.2% |
| Oregon | 275 | 61,928,226 | 226 | 39,081,358 | -17.8% | -36.9% |
| California | 4,905 | 2,608,011,383 | 4,175 | 3,939,599,461 | -14.9% | 51.1% |
| TOTAL | 30,697 | 19,646,778,427 | 26,234 | 17,568,837,115 | -14.5% | -10.6% |

* Data for 1988 are final; 1989 figures are preliminary.

Source: The Dun & Bradstreet Corporation
Economic Analysis Department

Business Failures by U.S. Census Region by industry
First six months 1988 vs. first six months 1989*

| Industry | New England | | | Middle Atlantic | | | East North Central | | | West North Central | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1988 | 1989 | % Change | 1988 | 1989 | % Change | 1988 | 1989 | % Change | 1988 | 1989 | % Change |
| Agriculture/forestry/fishing | 4 | 8 | 100.0% | 36 | 24 | -33.3% | 193 | 160 | -17.1% | 362 | 134 | -63.0% |
| Mining | 0 | 0 | 0.0% | 12 | 8 | -33.3% | 10 | 13 | 30.0% | 12 | 5 | -58.3% |
| Construction | 85 | 76 | -10.6% | 339 | 312 | -8.0% | 526 | 656 | 24.7% | 246 | 194 | -21.1% |
| Manufacturing | 85 | 66 | -22.4% | 352 | 195 | -44.6% | 385 | 337 | -12.5% | 116 | 95 | -18.1% |
| Transportation & public utilities | 33 | 21 | -36.4% | 144 | 91 | -36.8% | 212 | 244 | 15.1% | 112 | 56 | -50.0% |
| Wholesale trade | 50 | 45 | -10.0% | 327 | 145 | -55.7% | 353 | 298 | -15.6% | 157 | 119 | -24.2% |
| Retail trade | 129 | 115 | -10.9% | 752 | 539 | -28.3% | 1,030 | 1,190 | 15.5% | 462 | 317 | -31.4% |
| Finance/insurance/real estate | 15 | 18 | 20.0% | 102 | 69 | -32.4% | 115 | 211 | 83.5% | 91 | 53 | -41.8% |
| Services | 186 | 114 | -38.7% | 646 | 535 | -17.2% | 1,640 | 1,431 | -12.7% | 744 | 607 | -18.4% |
| Nonclassifiable establishments | 1 | 1 | | 7 | 5 | | 211 | 178 | | 2 | 2 | |
| Total | 588 | 464 | -21.1% | 2,717 | 1,923 | -29.2% | 4,675 | 4,718 | 0.9% | 2,304 | 1,582 | -31.3% |

| Industry | South Atlantic | | | East South Central | | | West South Central | | | Mountain | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1988 | 1989 | % Change | 1988 | 1989 | % Change | 1988 | 1989 | % Change | 1988 | 1989 | % Change |
| Agriculture/forestry/fishing | 38 | 72 | 89.5% | 72 | 57 | -20.8% | 139 | 135 | -2.9% | 91 | 63 | -30.8% |
| Mining | 19 | 24 | 26.3% | 24 | 21 | -12.5% | 139 | 88 | -36.7% | 19 | 17 | -10.5% |
| Construction | 487 | 547 | 12.3% | 245 | 182 | -25.7% | 720 | 575 | -20.1% | 318 | 327 | 2.8% |
| Manufacturing | 269 | 269 | 0.0% | 121 | 97 | -19.8% | 344 | 276 | -19.8% | 146 | 161 | 10.3% |
| Transportation & public utilities | 130 | 123 | -5.4% | 79 | 60 | -24.1% | 140 | 160 | 14.3% | 70 | 60 | -14.3% |
| Wholesale trade | 356 | 306 | -14.0% | 127 | 87 | -31.5% | 455 | 331 | -27.3% | 161 | 159 | -1.2% |
| Retail trade | 781 | 873 | 11.8% | 393 | 345 | -12.2% | 1,034 | 836 | -19.1% | 537 | 526 | -2.0% |
| Finance/insurance/real estate | 162 | 183 | 13.0% | 50 | 53 | 6.0% | 392 | 357 | -8.9% | 145 | 178 | 22.8% |
| Services | 1,408 | 1,620 | 15.1% | 619 | 500 | -19.2% | 2,425 | 1,458 | -39.9% | 1,457 | 956 | -34.4% |
| Nonclassifiable establishments | 1 | 7 | | 2 | 6 | | 0 | 112 | | 1 | 11 | |
| Total | 3,651 | 4,024 | 10.2% | 1,732 | 1,408 | -18.7% | 5,788 | 4,328 | -25.2% | 2,945 | 2,458 | -16.5% |

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Business Failures by U.S. Census Region by industry
First six months 1988 vs. first six months 1989*

| Industry | Pacific 1988 | Pacific 1989 | Pacific % Change | Total U.S. 1988 | Total U.S. 1989 | Total U.S. % Change |
|---|---|---|---|---|---|---|
| Agriculture/forestry/fishing | 126 | 159 | 26.2% | 1,061 | 812 | -23.5% |
| Mining | 9 | 6 | -33.3% | 244 | 182 | -25.4% |
| Construction | 542 | 621 | 14.6% | 3,508 | 3,490 | -0.5% |
| Manufacturing | 452 | 422 | -6.6% | 2,270 | 1,918 | -15.5% |
| Transportation & public utilities | 195 | 184 | -5.6% | 1,115 | 999 | -10.4% |
| Wholesale trade | 405 | 351 | -13.3% | 2,391 | 1,841 | -23.0% |
| Retail trade | 914 | 880 | -3.7% | 6,032 | 5,621 | -6.8% |
| Finance/insurance/real estate | 209 | 309 | 47.8% | 1,281 | 1,431 | 11.7% |
| Services | 3,437 | 2,350 | -31.6% | 12,562 | 9,571 | -23.8% |
| Nonclassifiable establishments | 8 | 47 | | 233 | 369 | |
| Total | 6,297 | 5,329 | -15.4% | 30,697 | 26,234 | -14.5% |

* Data for 1988 are final; figures for 1989 are preliminary.

Source: The Dun & Bradstreet Corporation, Economic Analysis Department